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ANALYSING THE WINE DISTRIBUTION CHANNELS ON A MARKETIGN POINT OF VIEW THROUGH THE WINE BUYING BEHAVIOUR AND THE PRODUCERS' DECISON MAKING PROCESS

Thesis of Ph.D. dissertation

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1. ACTUALITY, IMPORTANCE, AIMS AND HYPOTHESIS OF THE DISSERTATION

Wine growing and wine making has been known for thousands of years. In some parts of the world where the climate is favourable it is one of the most important sectors of agriculture.

Wine has been a part of the civilising human mankind's history for more than five thousand years. It is the mean to show sadness and happiness from birth to death, at feasts and weekdays as well. (Dominé, 2004)

Wine is grown on more than 10 million hectares. During the last five decades the wine growing and producing showed quick development. In the wine production Europe is playing a leading role. Among the 19 wine producing countries of the continent four play a prominent role. To show Europe's wine growing potential we can find 12 such countries where the domestic production is greater the one in all the Asian countries. (Eperjesi – Kállay - Magyar, 1998)

1.1. Actuality and importance of the dissertation

The major player of the European wine trade is the European Union in the export and the import as well. There is overproduction inside the Union that is being reduced by several tools, with more or less success. The vineyard cut off, the forbidden deployment and the supported variety structure change are all part of the strategy with aim of reducing the production. These regulations result the increase of efficiency, because the producers are interested in raising the amount produced. This basically means a tough competition and generates a high level of challenge for the new EU countries.

For being successful in the competition the sector and the entrepreneurs must use the right means of marketing which are adequate and satisfying the company's requirements. There is a higher and higher distance between the producers and consumers. This trend revaluates the importance of a marketing tool which is not taken as serious as it should. This is the distribution. In the domestic and international trade retail is the player that very much influences the possibilities and the operational conditions of the wine producing companies. The other major influencing factor is the changing consuming and buying behaviour.

1.2. Aims of the dissertation

In the dissertation I pointed out to analyse the influencing role of distribution as the major objective. I am investigating the role of wine distribution channels by taking into account both the buyer and the production side. I present the importance of distribution, the characteristics and changes of the buying behaviour and the joint impact of these factors in the retransformation of strategic groups based on secondary and primary researches.

My secondary research spread on the following fields:

- Acquiring information on the field of distribution and adaptating it to my research target areas. Exhilarating the information on consuming and buying behaviour just like on regional and local clusters, strategic types and apply is according to my research objectives.

- Reviewing the international and Hungarian literature and data base on grape and wine production and trade. Exploring the domestic and international wine marketing researches with special focus on the inland wine distribution channels.

- Generating information on the marketing research concepts and methodology for primary researches.

- Selecting the adequate research methods that suit best to my own researches and adopt them.

The primary researches of my dissertation were designed on the proper review of the secondary information related to it. My data acquisition is based on three topics. By setting up the targeting system the most important factors were the buying behaviour influencing capability of the given distribution channel and the amount sold there. Other important criteria were beside these ones the impact between the buyers and the distribution channel.

Wine has board means of distribution. The first research field of mine is targeted on the **buying behaviour** of the consumers **in the hypermarket** (Cora hypermarket-chain). I have chosen this channel because it is the fastest developing in the domestic wine market and plays an important role in the international market as well. (Figure 1)

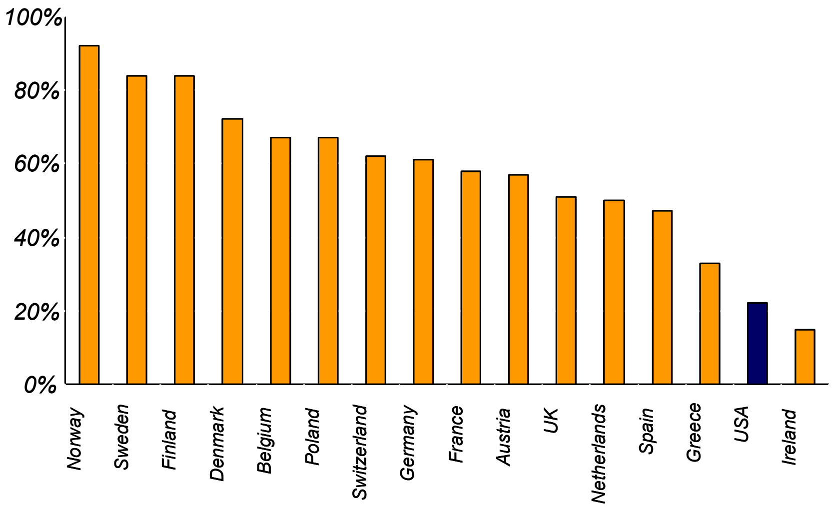

Figure 1. Market share of the five biggest retail chains by countries (2001)
Source: Heijbroek, A. M. A.:The wine industry uncorked, Food & Agribusiness Department, Rabobank International Utrecht, The Netherlands, 2001 (Power Point Presentation)

By the **strategic group** research my objective was to explore and point out them in the Hungarian wine sector. Stated aims were to analyse the certain strategic groups according to the competition structure, the connections in the supply chain and the coverage of the channel.

The other end-point of my researches was to analyse the wine producers by two criteria. The first one was the market overview of the producers, the second one was to explore the connection and types of connection among each other.

1.3. Hypothesis

I. The wine buyers of the hypermarkets can be grouped into well-separated segments based on their requirements and buying behaviour. The buying and the consuming behaviour do not necessarily cover each other.

II. The wine buying in the hypermarket shows strong connection with the education and the income.

III. The change in the role of the distribution channels induces strategic groups on the production side to come into existence in the Hungarian wine sector.

IV. The image building capability of a certain distribution channel is being evaluated the same way by the buyers and the producers as well.

V. The vineries and the wine producers are not prepared for the renewing challenges of today's wine market neither from the point of view of the sufficient information, nor the level of education. Their knowledge is only competitive on the field of wine making but in marketing, gastronomy and sales they are lagging for behind the competitors.

2. SUBJECT AND METHOD

2.1. Methodology of the research

The type of used data in the paper is shown on figure 2. The base of the research was to collect the sufficient secondary information on wine distribution channel types, wine consuming and buying behaviour. The **quantitative research** was done **among the wine buyers** at the wine department of the Cora hypermarket chain in 2003-2004, in Budapest, Miskolc and Szeged. The analysis was done by the help of SPSS 10.0 with multi variable methods (factor and cluster analysis). As a result I processed 602 questionnaires.

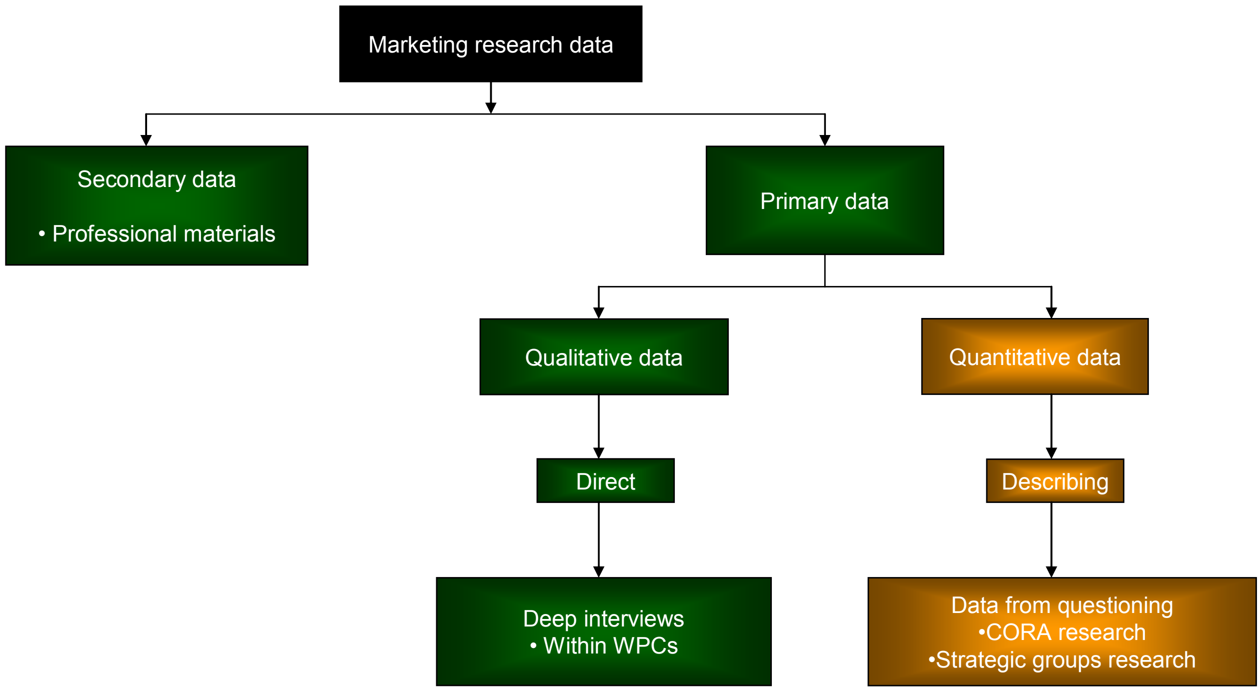

Figure 2. Data type of the research

Source: own edition based on Malhotra Naresh K., (2001): Marketingkutatás. Budapest: Műszaki Könyvkiadó. 201, 203. p.

To make the analysis more complete I have compared the results of mine with the ones of a representative OTKA research – supervised by János Papp – where I have been participating as well. The research was spreading on the frequency of wine consumption, typical situations, characteristics of consumed wines, place of wine in the hierarchy of needs, main characteristics of wine buying and the impacts of marketing tools on selecting wines. About this research which represents a segmentation of the wine consumers a detailed report has been published and my researches are based on the results and methodological experiences of it.

The **strategic group research** was carried out in 2004-2005 during an OTKA T-042545 survey. The questionnaires were sent to 320 wine producing companies and 95 ones sent back the anonym forms. The selection and weighting of the target market were designed according to the dimensions defined by Porter (1980). The strategic variables were analysed by factor analysis, then by the help of the factors clusters and strategic groups were built. Based on 12 factors I could identify four clusters. Based on the cluster analysis – K-mean method – the sizes of the certain clusters are as follows: cluster 1. 59, cluster 2. 7, cluster 3. 22, cluster 4. 7. Out of the sample two companies were sorted out due to their variables. The cluster analysis was done by SPSS 10.0.

I made a **qualitative research among the wine producers** with private deep interviews. The analysis of the interviews was done with content analysis and the help of Excel 2003 software. The first part of the research was done between January 2003 and August 2004. During this time I visited 19 wine regions of the country and had personal deep interviews with the wine producers, owners, decision makers. The next part of the research was done in September 2004 at the Buda International Wine and Champagne Festival in the Buda Castle. In the sample I have wine producers from all the 22 wine regions of the country from different size categories.

All together I had 72 interviews. The list of them can be seen in appendix 1. The best fit method to this kind of research is the personal deep interview. The questions were about the sources of information, keeping contacts, consumers, and customers, choosing the right channel, limits and boundaries, distribution strategy.

The marketing information system (MIS) is built on four pillars. These are the inside data system, the marketing observation system, the marketing research, the marketing decision supporting system and the appropriate co-operation of them. (Kotler, 2002) With the questions of mine I wanted to analyse the operation of MIS and the critical factors at the Hungarian wine producers. The questions were about the information sources, keeping connections, freedom of sale, the consumers, the competitors and creating image about the customers. Besides these the other important part of the research was to identify the process of selecting the wine distribution channels and the traders.

3. RESULTS

3.1. Analysing wine buying behaviour in a Hungarian hypermarket

Analysing wine buying behaviour at the CORA hypermarket chain

3.1.1. Demographic characteristics of the sample

In the sample of the research 66% were men and 34% were women. In the country-wide representative research the ratio of men was 52,9%, and the one of women 47,1%. Inside the wine consuming sample it turned out to be similar to the hypermarket sample; in numbers the men ration was 60,5%, the women 39,5%. In the country-wide sample the age groups were similar in weight. The ratio of people between 31-60 was 56%. According to the age the wine buyers of the hypermarket were 26-55 years old (Figure 3). Most of them were married (74%), but in spite of this 44.8% had no children.

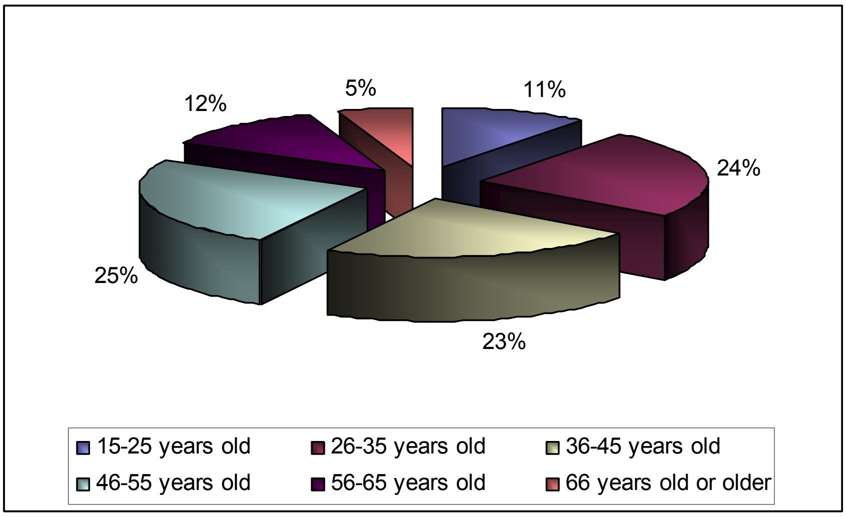

Figure 3. The age-groups of the sample (n=578)

Source: own research 2004

In the sample 34% had secondary education, but more important is the ratio of the ones with higher education that was 56%, which shows that wine consumption is correlated to the level of education. According to the salary 52% belonged to the group above the average and 29% belonged to the group below average. In the country-wide OTKA-sample the ratio of people with secondary education was 23%, 10% had higher education and 67% primary education. Within the wine consuming OTKA sample the ratio of secondary and higher education grows by 5-5%.

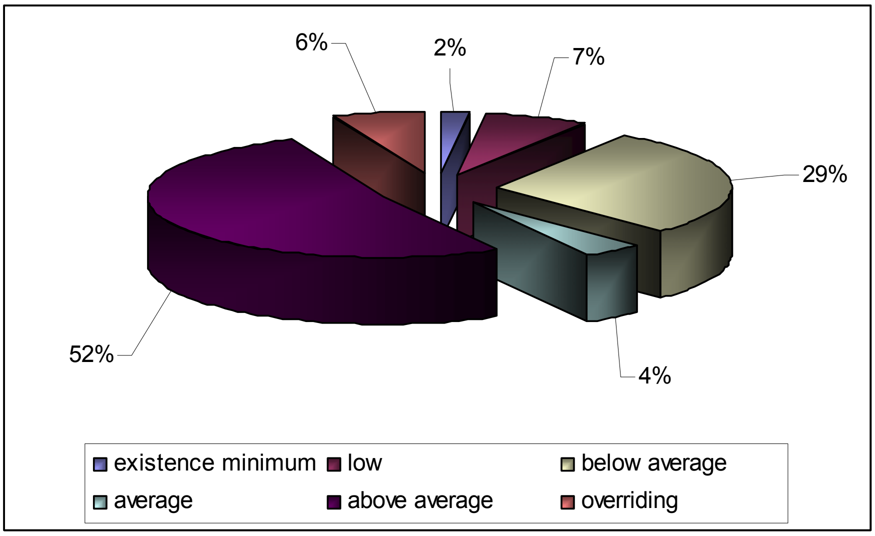

Figure 4. Distribution of the sample according to the salary per capita (n=578)

Source: own research 2004

The majority of the sample (52%) belongs to the category above the average according to the salary. Considerable is the category under the average (29%) (Figure 4). Based on this it is to state that the quality wine consumption is not only connected to the higher education but to the higher salary and social class as well.

3.1.2. Wine buying influencing factors

During my research it was crucially important to for me to identify the factors that are mostly influencing the wine buying process. According to the answers the taste, the quality and the origin were the most important factors in the wine buying decision making process.

The price and the discounts played less important roles than it was expected. Based on the answers the means of packaging belong to the less important factors. (Figure 5)

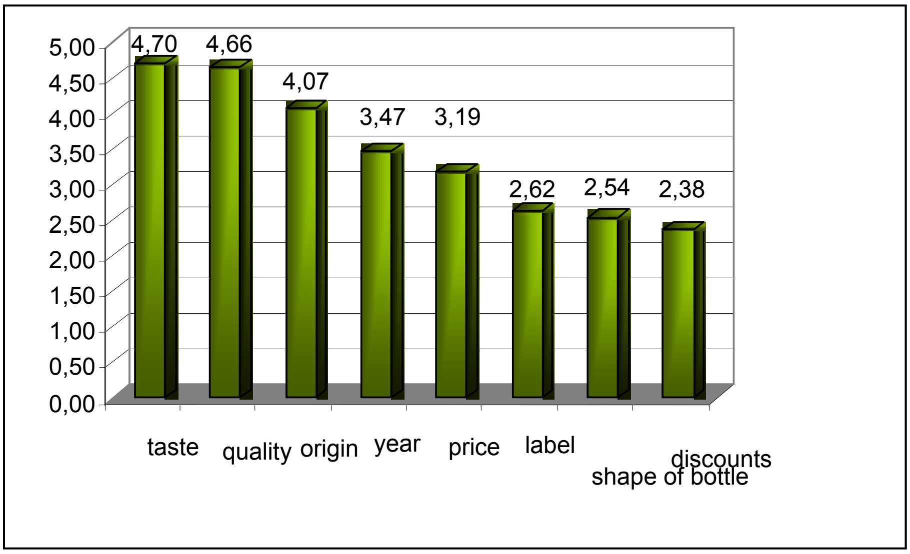

Figure 5. How important are the given factors in the wine buying decision making process? (n=578)
(1= least important, 5= most important)
Source: own research 2004

According to my hypothesis the different wine distribution channel have different image-influencing roles/power. I asked the consumers to rank the different channels according to their image-influencing capabilities. Based on the answers it can be stated that the most positive image-influencers are the wine specialty shops and the buying directly from the producer. The hypermarket came before the gastronomy which is very surprising. The shops of petrol stations arrived at the last place and the role of the internet is also low. (Figure 6)

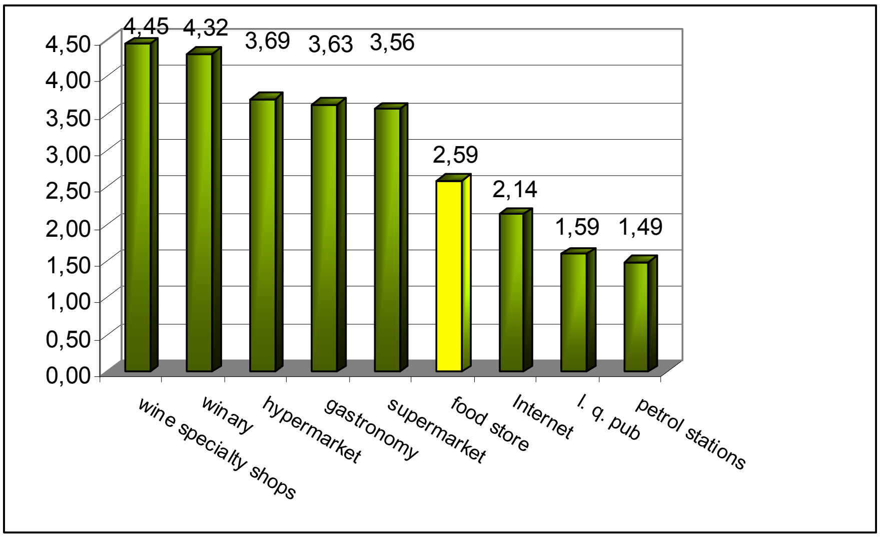

Figure 6. Rank the distribution channels according to their positive image-building capabilities.
(1= least positive, 5= most positive) (n=578)
Source: own research 2004

The shop-paths are very important by creating the inside furnishing of the hypermarket. Its success can be measured by the operation of the less popular departments. The most visited departments are the food, vegetable and fruit, and the wine department. Less popular is the articles of clothing, microelectronics and entertaining departments. These facts are partly connected to the former analysed higher income.

3.1.3. Aspects of segment creating factors

Based on factor and cluster analysis 4 segments were to identify in the sample of 578 people. To create the segments the following criteria were chosen:

I. **Size**
II. **Demography**
III. **Frequency of visiting the hypermarket**
IV. **Wine consuming behaviour**
V. **Preferred wine**
VI. **Occasion and reason of buying wine**
VII. **Marketing characteristics**

The four segments can be seen on Figure 7.

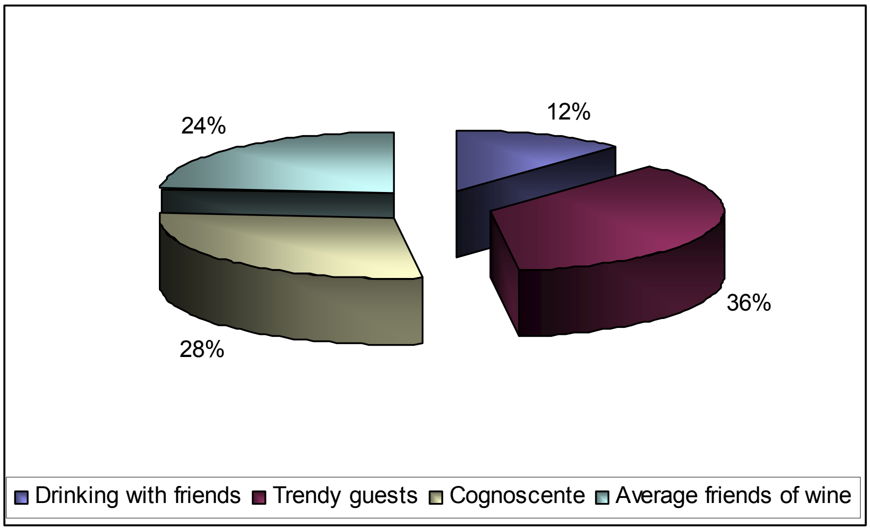

Figure 7. The segments according to their names and size (n=578)

Source: own research 2004

3.1.4. Characteristics of the segments

Segment 1. ’Drinking with friends’

The 1st segment is the smallest according to the size with 69 people. Most of them live in towns, with secondary education and their salary is above average. They go to the hypermarket every week, but they only buy wine once or twice a month. They spend 1-2 hours in the hypermarket which is enough for the weekly consumption. In the wine department they spend maximum 5 minutes.

Wine is mostly consumed among friends or at special occasions. The preferred wine is either red or white but semi-sweet. They also like dry red wine and champagne. They usually buy 1-3 bottles, and make up their own decisions. According to the research this is the segment where the smallest amount of money is spent as sum or per bottle for wine.

Segment 2. ’Trendy guests’

The 2nd segment is the largest among the four identified ones with 209 people, which is 36% of the total sample. Most of them are from Budapest and their salary is above average. They go to the hypermarket more than once a week. Partly based on this the time spent in the hypermarket got shorter, maximum half an hour. This is the segment that mostly buys wine – within 5 minutes - in the hypermarket.

Characteristic is that they consume wine among friends, when having guest around or being a guest. According to taste they prefer semi-sweet, and they like dry red wines as well. This is the segment where champagne is the most popular.

When buying wine they make decisions together with the accompanying person. Very important are almost all the marketing communication tools that can be used for wines such as label, shape of bottle, price and year. The preferred price category is 1.6-3.2 euro and they spend 8-12 euros at one occasion.

Segment 3. ’Cognoscente’

The 3rd segment is the second largest with 163 people. This segment has the strongest differentiating characteristics. Most of them are with higher education (73.6%). The majority is from Budapest and has family and according to the salary they have the largest amount with high or prominent income.

They go to the hypermarket with their husband/wife but not weekly and buy wine once or twice a month. As an average they spent 0.5-2 hours in the hypermarket but 10-20 minutes are spent in the wine department. According to the sharing of work they are the ones who choose the wine for the family and other meals that is why they need so much time for the decisions making. They also consume wine among friends but mostly for meals. According to tastes the dominance of dry is obviously to be seen either for white or red wines. They choose for a broad price scale, but they are the ones who are willing to spent even 16 euros for one bottle of wine.

Segment 4. ’Average friends of wine’

Segment 4 consists of 137 people which is 24% of the sample. About the segment of ’average friends of wine’ it can be stated that the ratio of women is the largest (40.3%). Here is the largest the ratio of people without children despite that 74% lives in families and they are between the age of 26-55. Most of them have secondary or higher education and a salary above average. They buy wine once or twice a month or even seldom and consume it with friends. In the hypermarket they usually spend 0.5-2 hours and 5-10 minutes in the wine department. The prices and special offers have the largest impact on this segment beside taste. They usually buy 1-3 bottles for 1.6-4.8 euros and spend 2-12 euros at one occasion.

3.2. Roles and relations of marketing strategic types and groups in the Hungarian wine sector

3.2.1. Comparison and characteristics of strategic groups

Each strategic group was analysed on the basis of the following interrelations:

- Characteristics of the competition structure
- Relations within the supply chain (purchase and sales)
- Coverage of the marketing channel and specialization of marketing channel respectively

Each factor was examined by using several variables in the questionnaire, in evaluation, however, only variables showing significant difference were taken into account (p<0,05%).

3.2.2. Comprehensive characterization of strategic groups and typifying

Divergences of each strategic group from the average of the whole sample (on the basis of distance) may be characterized as follows: In strategic characterization, significantly differing variables were exclusively taken into account in case of each strategic group. In judging the variables under study, average differences were taken for basis.

In professional literature, dealing with marketing strategy, following fundamental marketing strategic types became wide-spread: cost-managing (built leading role of cost), differentiating specializing strategy and the so-called middle-way strategy, without strategic orientation.

Strategic group, built typically on the leading role of cost did not exist. Slight upgrading of the role of costs was characteristic of **group 1**.

Differentiating strategy can be realized by companies in case of very specific quality, high added value and high-quality product services. Characteristics of strategic group 1 stood nearest to those of the differentiating strategic group, with slight association with the strategy, built on leading role of costs /overvalued cost factors and suppliers relations). On the other hand however, the question emerges, whether successful application of such a strategy would be possible in case of the smallest company size (66,9) of the average). This was aggravated also by the fact, that within the factors of competition structure, the role of company size was overvalued as compared to the average.

On the basis of the above characteristics, strategic g1 may be assigned rather to the so-called middle-way strategic type without orientation, in compliance with the way of thinking of "standing on a few feet" widely accepted by domestic companies. Under conditions of increasing requirement of domestic market, strengthening import competition, limited financial and marketing resources, they would be threatened by the danger of lag, without the development of a centre of gravity of strategic orientation. They would have minimum chance to increase to a significant extent concentration and company size, therefore, the only possibility of the change in strategy would be for them to mark out strategic centres of gravity and realize specializing strategy, associated with it. The third possible strategic type is the specializing strategy, which may tend towards a product range, geographical market reach and participants in the sales channel, respectively. Following characteristics of the specializing strategy are considered most important by the international professional literature: strong consumer/buyer orientation, weak competitor orientation (because of fewer competitors), relatively undervalued innovation (because of lower intensity of competition), and fewer target segments. Among the groups, included in the survey, strategic groups 2, 3 and 4 followed specializing strategies, local character, with more extended specialization (first of all in catering, secondly in specialized wine shops).

Group 2 strongly undervalued innovation, since within the narrow segment, in consequence of fewer competitors, innovation pressure is less. Generally, it undervalued suppliers' relations and overvalued (above the average) the role of branding.

Also strategic **group 3** may be assigned to the specializing strategic group. This strategic group is domestic, global actor and may be classified as a type, tending towards specialization decisive-average, competitor orientation was slightly overvalued because of making compete retail-suppliers. Company size was the largest, thus its role in competition obtained neutral judgement. Of the trade channels, exclusively relations to retail chains were overvalued.

Categorization of strategic **group 4** was not entirely unequivocal, but it was mainly of specializing type, tending first of all towards West European and North American export markets. It might be regarded as global actor on the domestic market. It undervalued to a medium extent both technological orientation and consumer (buyer orientation. Generally, it undervalued innovation factors with the exception of technological elasticity, and overvalued slightly the importance of supplier relations, and undervalued domestic sales relations to a slight extent. In judgement of bottled wine, downward deviation from the average was channels and overvalued that of the brand, designation of origin, variety, producer and area of production.

3.3. Analysing criteria on basing decision making process of wine producing entities to select distribution channels

3.3.1. Characteristics of the sample

The companies based on the 72 interviews can be placed in four groups. The size is not always the best tool of measuring and grouping, but the questioned ones showed notable differences which could be originated in size. Bases on this I differentiate minor, small, medium and large wine producing companies. During the analysis of the research I point out the factors where the size plays an important role.

The 72 companies in the sample can be put into four groups based on their characteristics. The group building criteria were the size of land, the traded amount of wine (many vineries work with contracted grape or wine producers) and the marketing information system. The weighting of the certain factors were given by the results of the interviews and the concept of Gere. (20% size of land, 40% traded amount of wine, 40% marketing information system) The four groups are as follows:

- Minor (8 WPC)
- Small (19 WPC)
- Medium size (17 WPC)
- Large (5 WPC)

3.3.2. The results of the research by size categories

If we take into account the different sizes of the enterprises we will get a much more sophisticated picture about the role information sources. (Figure 8.) In this case we can observe that the information from the colleague is mainly important for the small WPCs, while the one for the minor WPC the nearest competitor's in the most important.

The medium-size WPCs acquire their information from the restaurants, sales representatives and from different professional magazines mostly. From the point of view of the large WPCs the traders, conferences and international data bases were taken as reliable and important.

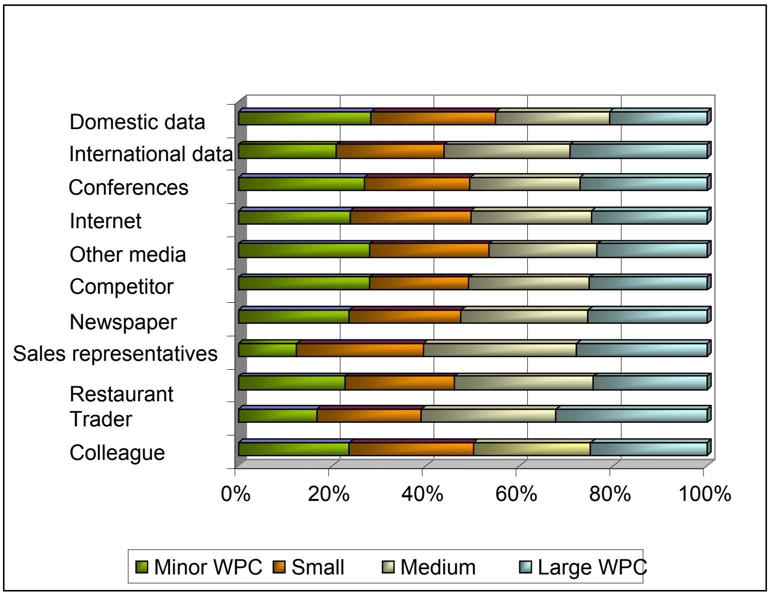

Figure 8. Importance of information sources according to the size of the WPC

Source: own research 2004 n=72

Considering the level of the data processing we can observe a major difference among the certain size categories. In the of the minor and small WPCs the computerised data collection is around 20%, meanwhile this number at the medium and large WPCs is around 80%. In the size and value of orders there is no difference among the different categories and they also list the frequency of the orders 60-80%. The date and the composition of an order is collected in almost every category by 80%.

According to the evaluation of the different distribution channels there is a sizable difference to observe as well. The minor WPCs prefer to distribute their products through the wine specialty shops and gastronomy taken into consideration their image building or strengthening capability. For the small WPCs to the wine specialty shop and the gastronomy comes the DM (at the vinery) channel. In the case of the medium size WPC the just mentioned three are positively taken, meanwhile at the large WPCs the gastronomy is the most important and here is the ranking of the hypermarkets the highest on the base of the additional service and image building capability. (Table 1)

Table 1. Evaluation of the distribution channels according to size categories

	Minor WPC	Small WPC	Medium WPC	Large WPC
Hypermarket	1,85	2,16	2,26	3
ABC	2,14	2	2,2	2
Internet	3,85	3,47	3,66	3,2
At the vinary	2,57	4,72	4,66	4,4
Supermarket	2,14	2,27	2,33	2,4
Wine specialty shop	4,14	4,77	4,73	4
Petrol station	2,28	2,125	2	1,6
Gastronomy	4,42	4,61	4,4	4,6
Low quality pub	3,2	1,33	3,4	3,6

Source: own research 2004 n=72

Taken into account the regular customers it can be stated that the number of them rises according to the size of the WPC. The ratio of the regular customers at the minor WPCs is 51%, at the small WPCs 62%, at the medium and large WPCs 74-75%.

3.3.3. Evaluating the distribution channels from producer point of view

In evaluating the distribution channels the relation between gross retail price and added services are considered to be important factors. Figure 9 shows the most important wine distribution channel according to the two above mentioned factors.

It is clearly to be seen that in added services wine specialty shops and gastronomy took the leading place. The wine producers find it crucially important to conquest these channels not only because of the higher profit rate, but their image building capability as added service. Both channels are respected by the professionals due to their professional knowledge, services and role in influencing the consumers' opinion.

The other end is the low quality pubs with minimal service and relatively high prices. At the petrol stations we can hardly find services connected to the wine; however the gross retail prices compared to them are also relatively high.

The petrol stations according to the wine producers are seen as a distribution channel with low possibility in image building, but in long-term due to its practicum this channel will be more appreciated.

The ABCs and the supermarkets have low contribution to the added services. From the image point of view the different companies can differ very much from each other and defined by the certain store. From price point of view they represent the medium way, lower that the other distribution channel with higher added services and in added services they provide more than the ones with fewer possibilities.

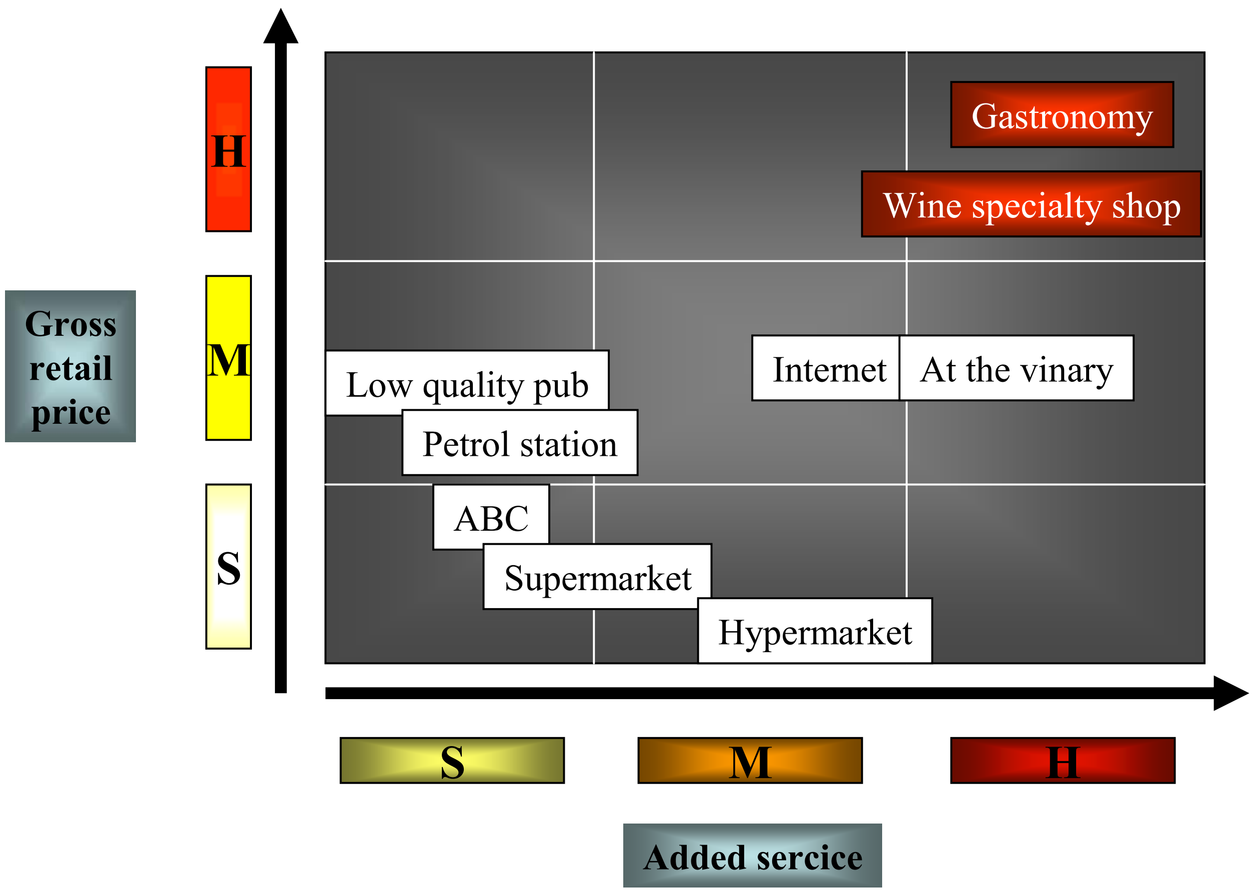

Figure 9. The relation between the additional service and the gross retail price

(S= small, M= medium, H= high)

Source: own research 2004 n=722

From price point of view, based on their volume, market power and company strategy the hypermarkets are the most favourable for the consumers. On the other hand in the field of added services they represent the medium way. Of course we can observe major differences according to their corporate culture, image and strategy.

3.3.4. Selecting the right distribution channel from producer point of view

Figure 10 shows the process of selecting the distribution channel from the point of view of the producers. The influencing factors are to be separated in three groups:

- WPCs side,
- Distribution side and
- Consumers' side.

To the unchangeable factors of the **consumers' side** belongs the region, the demographic characteristics where the family life-cycle is of key importance. Other important factors are motives that define the consumer's life style, the attitudes, the personality and the values they represent. The buying and consuming behaviour belong to the changeable factors, but it is a great challenge for the producers and the distributors and takes time.

The **distribution side** can also be separated into two parts the basic functions and the added services. The basic functions consist of the distributed quantity, target group, reach ability, product placement and logistics. The added value factors are the image, professional knowledge, services, system of connections, distribution experience and the EDI . These together build the attractiveness of the distribution channel.

The **WPC side** has very complex characteristics. It can be divided into changeable and unchangeable, company and wine-grower/producer elements. **Unchangeable** from company point of view are the wine region, soil and the regulations. From personal side personality and cultural characteristics are unchangeable. From company viewpoint size, experience, image, quality, technology, grape types, market conditions, distribution strategy, and company strategy can be **change**d. From the wine-grower/producer point of view psychological and behavioural characteristics can be taken as changeable ones. From the above mentioned company factors strategy is the most important from both company and producers' side. It defines or influences the most the future image and success of the company. It also has an impact on the involvement of the staff that can help to survive for instance the tough periods of the market. All these factors together build the requirements towards the distribution channels by the WPCs.

Based on the **three pillars**' (**WPCs, Consumers, Distributors**) requirements and characteristics will the right distribution channel selected.

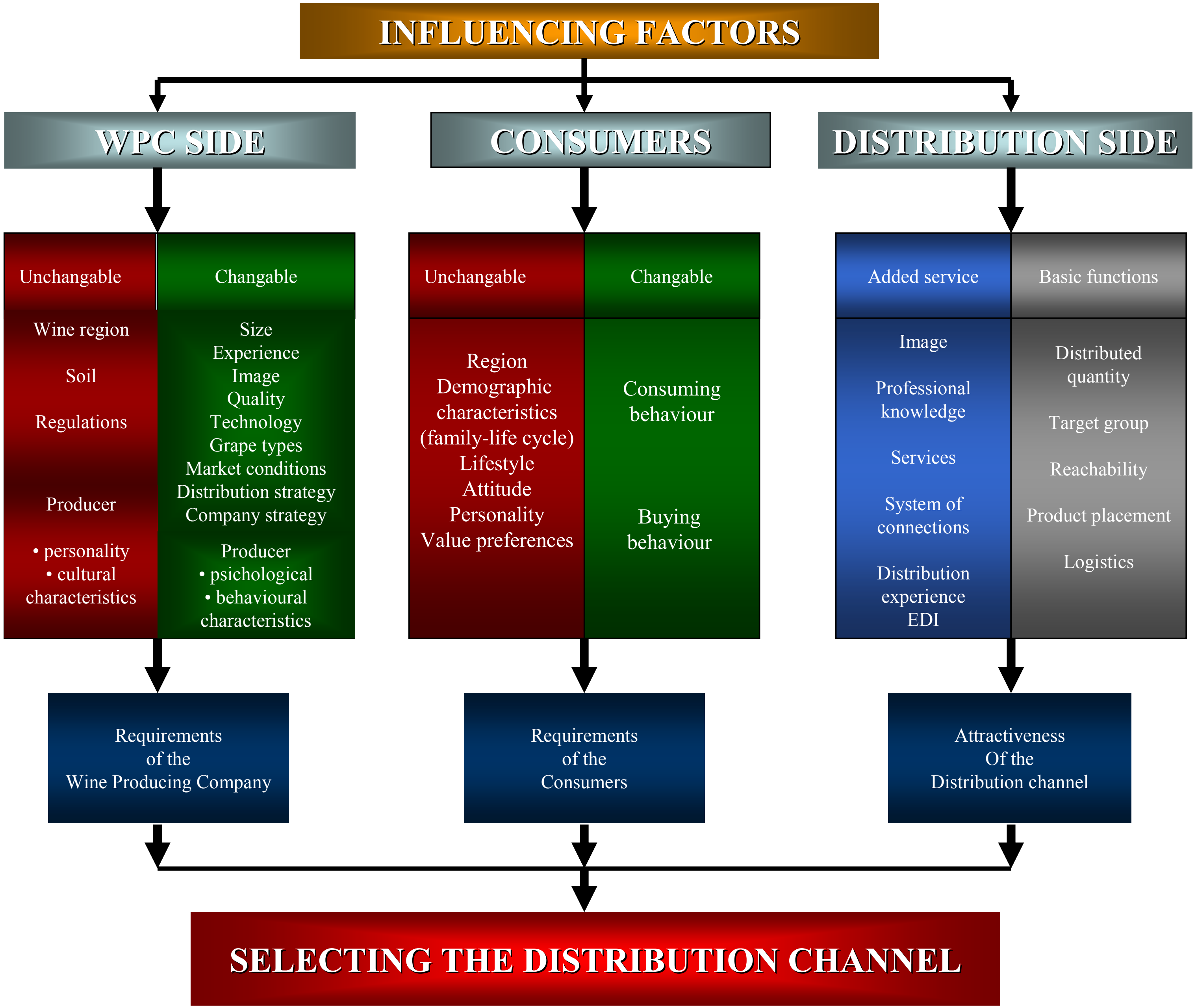

Figure 10. The process of selecting the distribution channel from the point of view of the producers (WPCs)
Source: own research 2005 n=72

4. New scientific results

My dissertation is built on the analysis and evaluation of the reachable international and national professional literature. The present discourse contains three primary researches and their analysis and results that were set up, processed and evaluated by myself and with my co-operation. As the benefit of the primary researches I can conclude the following new scientific results:

1. During the analysis of the wine buyers of the hypermarkets with the help of multi variable analysis I created four segments that well-typify this special buyer seam. The segments – according their characteristics – were named as follows: **'Drinking with friends', 'Trendy guests', 'Cognoscente' and 'Average friends of wine'.** In my research I pointed out differences between the country-wide OTKA and the hypermarket buying segments behaviour.

2. Based on the mentioned coherences during my research on strategic groups I differentiated four segments in the wine sector. According to the concepts used in the marketing professional literature – cost-managing, differentiating, specialising and middle-way – the four strategic groups show the following results:

    a. Strategic group, built typically on the leading role of **cost** did not exist. Slight upgrading of the role of costs was characteristic of **group 1**.
    b. Characteristics of strategic **group 1** stood nearest to those of the differentiating strategic group. On the basis of the above characteristics, strategic g1 may be assigned rather to the so-called middle-way strategic type without orientation, in compliance with the way of thinking of "**standing on a few feet**" widely accepted by domestic companies
    c. The third possible strategic type is the **specializing strategy**. Among the groups, included in the survey, strategic groups 2, 3 and 4 followed specializing strategies, local character, with more extended specialization
        i. Strategic **group 2** is a domestic global player, widely specialised (mainly on gathering and wine specialty shops).
        ii. Strategic **group 3** may be assigned to the specializing strategic group. This strategic group is domestic, global actor and may be classified as a type, tending towards specialization decisive-average, competitor orientation was slightly overvalued because of making compete retail-suppliers.

iii. Categorization of strategic **group 4** was not entirely unequivocal, but it was mainly of specializing type, tending first of all towards West European and North American export markets.

3. During the analysing criteria on wine producing entities to select distribution channels my models describes best the basing decision making process. I defined those elements and the coherence system of the distribution channels that provide great help to wine producing companies to create a successful buyer based selling strategy. (Figure 11).

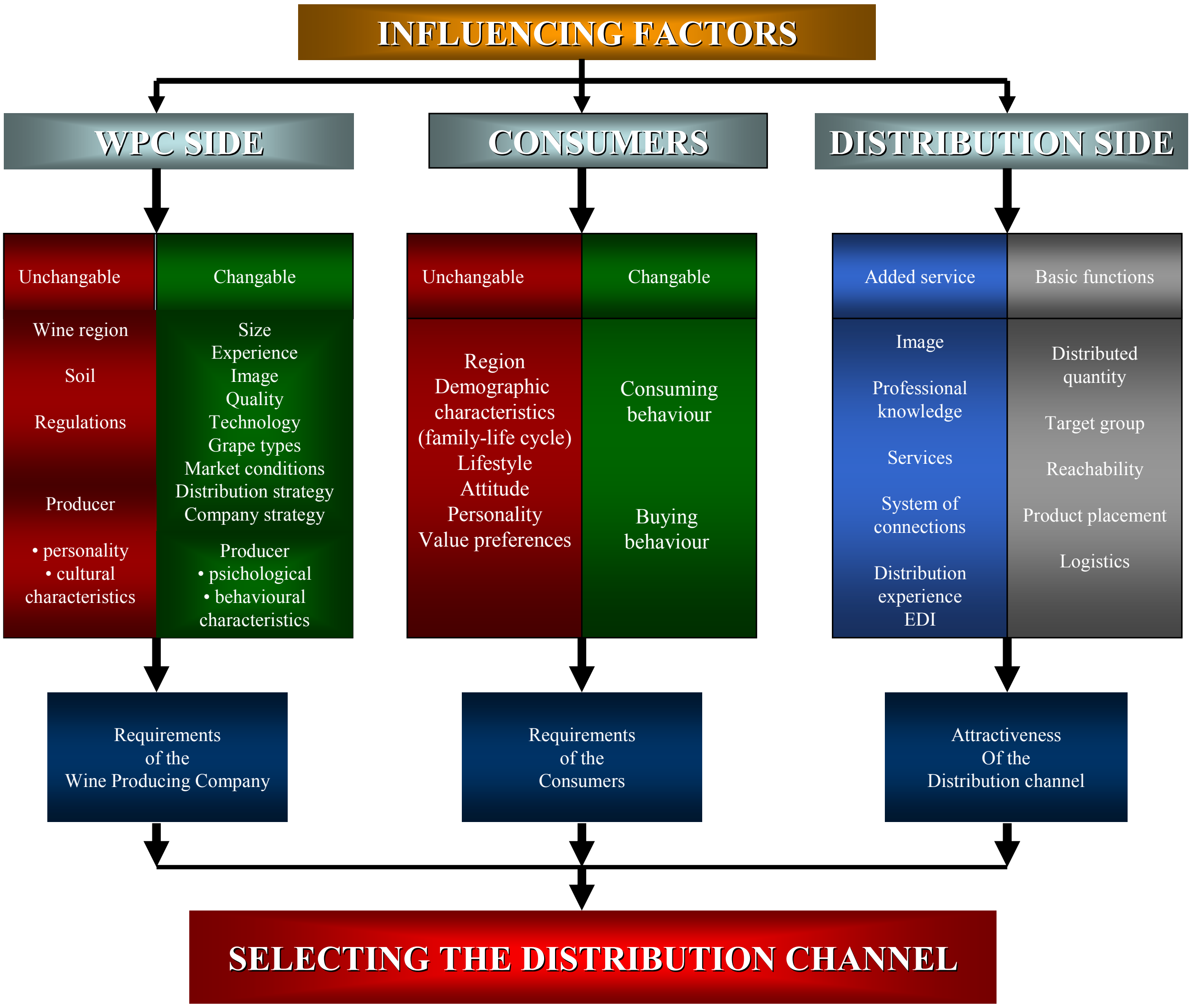

Figure 11. The process of selecting the distribution channel from the point of view of the producers (WPCs)
Source: own research 2005 n=72

4. In evaluating the distribution channels the relation between gross retail price and added services are considered to be important factors. Figure 12 shows the most important wine distribution channel according to the two above mentioned factors.

   It is clearly to be seen that in added services wine specialty shops and gastronomy took the leading place. Both channels are respected by the professionals due to their professional knowledge, services and role in influencing the consumers' opinion. The other end is the low quality pubs with minimal service and relatively high prices. At the petrol stations we can hardly find services connected to the wine; however the gross retail prices compared to them are also relatively high. The ABCs and the supermarkets have low contribution to the added services. From the image point of view the different companies can differ very much from each other and defined by the certain store.

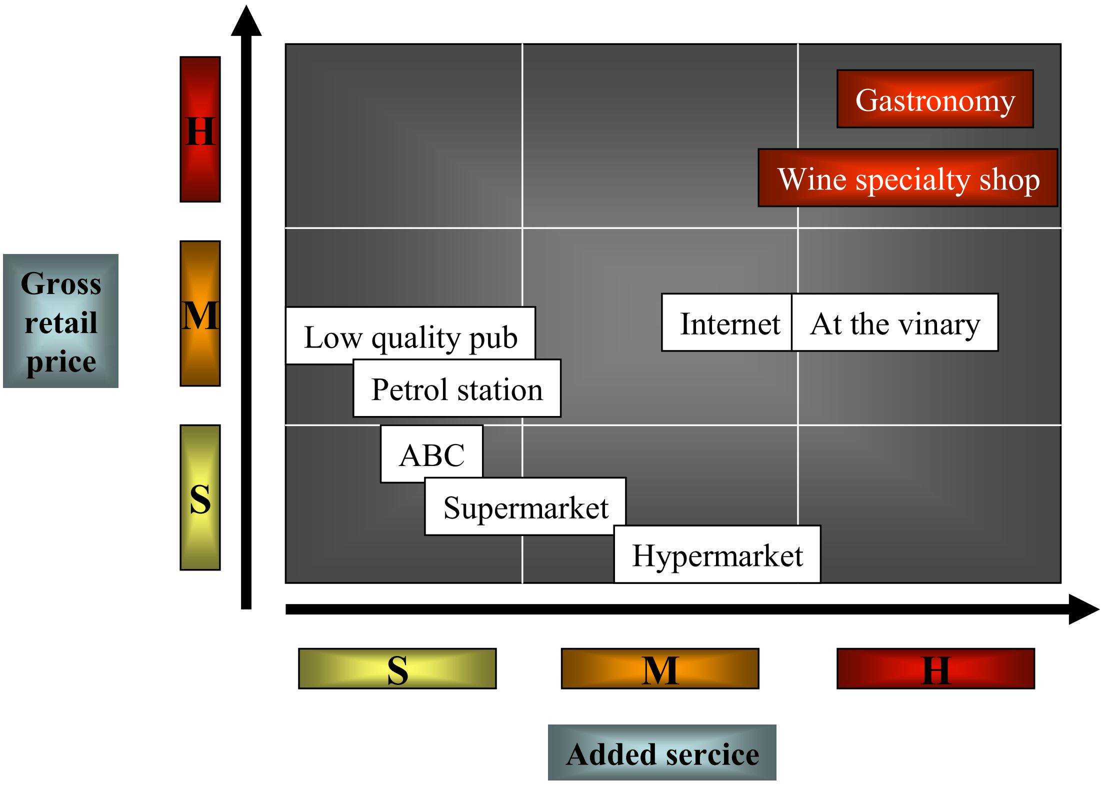

Figure 12. The relation between the additional service and the gross retail price

(S= small, M= medium, H= high)

Source: own research 2004 n=72

From price point of view, based on their volume, market power and company strategy the hypermarkets are the most favourable for the consumers. On the other hand in the field of added services they represent the medium way.

4. CONCLUSIONS AND RECOMMENDATIONS

- The role of distribution will be much more respected in the near future and the enterprise that does not recognise it will be lagging behind.

- The importance of the distribution in the marketing-mix is under estimated in the wine sector and not dealt with as it should be.

- The analysis of the consuming and buying behaviour is indispensable for the successful operation in the market competition. Nowadays the wine producers follow this practice only contingently.

- The buyer segments created by myself can be base, normative for a well-planned, conscious company market strategy, which includes the type selection, production technology, branding, and the selection of the distribution channels.

- The market and the market segments are not groups with static preferences. They are in the progress of continuous change that the companies must adjust to, or try to influence that is hindered if the decision maker's knowledge and information base is obsolete, outworn and deficient.

- Among the ones buying wine in the hypermarket the higher education, income and social category is characteristic.

- The wine buyers of the hypermarket market the consumption in company, at meals, having and being a guest situations most characteristic. According to their statement they almost never drink wine. Based on their answers it is obvious that the wine consumption for them means a company event, and an alcoholic beverage for confidential, familiar and intimate affairs.

- The analysis of the strategic groups points out the importance of co-operations in order for a successful market operation.

- The individual market operation can only lead to success for a short period of time. The co-operation of the wine regions is inevitable for reaching the appropriate image and buyer loyalty. The key is the long-term strategic thinking. This is the outstandingly important tool for a wine producer to operate on the market successfully in the long run. Obviously it must be altered and adjusted during the operation, but only those companies can be successful in the long-range that have a definite strategy by approaching the market and its market operation is adjusted to it.

- The wine producers will have to face such market changes in the near future from both the distribution and the buyer/consumer side that will indispensably require different, more developed, more reliable and more valid information sources than they use nowadays. From the present managing by chance and anticipation they must change to a conscious buyer oriented solid strategy company operation.

- The decision makers of the companies need to be continuously professionally educated to make their knowledge broader and up-to-date. They must visit the given sector's scientific and other type of programs, events, conferences and educational programs. In case they pass up that they expose the enterprise to danger. It is especially true in the wine sector where the players do not possess the sufficient professional knowledge to run an enterprise. For acquiring information nowadays it is not the best way to ask the colleagues any more.

- The boundaries of information acquisition, the limited planning activity and the scarce resources intensify the direct and indirect impacts of the environment. In the small enterprises the strategic planning and thinking is weaker and more formal.

- Similarly to other countries of the world concentration can be observed in the sales. The wine distribution channel these days are mostly possessed by multinational companies. Most producers take it as success if they see their products on the shelves of the big retail chains. As an example the French-owned multinational companies supposedly will prefer the French – and due to more-decade relationships through Europe the Italian, Spanish and other countries' – suppliers. It is an example that could be followed by Hungary as well. The Hungarian market turned to be one of the most concentrated retail markets of Europe. This fact makes the job of the foreign producers extremely easy, who only have to contact a few retailer representatives to reach the great piece of our domestic market.

- The competitive conditions cannot be equal because our competitors are the traditional wine producers of the EU in majority with more than hundred years old family owned vineyards, private companies, wine traders with multi-generational relationships. The traditional relationships in Hungary have been changed, restructured, re-formed by force. From this point of view the competitive conditions obviously cannot be the same.

- In the Hungarian small fields the production is done many times according the ones form before the war and by the socialistic approach. That is why the products from these producers cannot be sold on the quality sensitive markets. These small producers will not be able to make their wine competitive against the cheap import wines.

- From the viewpoint of the production more and more the medium and large scale production companies came to the front like in Austria and the other countries of the European Union, but this structure is not yet competitive to the 'New World' wine producers. Beyond the question of size the usage of the marketing tools and a more flexible regulation system is needed to fall into line with the competitors from other continents.

- Continuous development can be observed in the trade within the EU: until the transformation only 20-21%, in 1990 34%, in 1991 47% and from 1992 more than the half of trade outside Hungary goes to EU member states. The concern is arising from the fact that even the EU has structural problems and overproduction. The consumers shift towards the quality wines gives hard times to the EU wine producers especially in Spain and Italy. Based on this we cannot anticipate that the inner market will have only demand increasing impacts.

- The central resources like the Wine Marketing Centre should be focusing on the development of the level of the production and the support on reaching the market. This process should be supported on the wine region or regional level, so that the image building would be more successful. It is crucially important, due to the fact that the Hungarian wines still belong to the cheapest ones on the international market.

Hypothesis evaluation

- As the results of my **first primary research** at Cora hypermarket-chain (n=578) I can state that my hypothesis structured by making the dissertation were pertinent (Hypothesis I-II.). The survey verified that among the wine buyers of the hypermarket can be grouped into – as per account four – segments based on well differentiating characteristics (**'Drinking with friends', 'Trendy guests', 'Cognoscente'** and **'Average friends of wine')**. My other statement got also affirmed where I stated that the wine buying decision is strongly connected to the education and income.

- Based on my **second primary research** which was done among the wine producing companies by questionnaires (n=95) I can state that according to the sales and supplier relationships there are significant differences among the strategic groups. Related to these distinctions four strategic groups can be defined which supports my hypothesis number III.

- In virtue of my **third primary research** where I interviewed 72 wine producing enterprises, I can assert that the Hungarian wine producers and decision makers, leaders do not possess the required knowledge about the market. Their level and type of education, just like the used information is not sufficient and they are lagging behind in the field of marketing, gastronomy and sales as well. All these factors affirm hypothesis V. The image building capability of the distribution channels differ by size categories and only partly correspond to the consumers ones (Hypothesis IV).

5. SUMMARY

In my dissertation I provide an overview on the concept of distribution. I introduce the grouping possibilities of the distribution systems, the players, the roles and the tasks of them. I also mention the characteristics of the distribution channels and describe them.

The next session is about the consuming and buying behaviour followed by the introduction of the strategic types and regional clusters. The session includes the overview on the national and international wine market.

After analysing the wine marketing researches in Hungary and abroad I studied the marketing research methodology required for my primary research work. The next session focuses on the three primary researches I conducted.

The first primary research of mine was about the wine buying behaviour of the hypermarket consumers' including a cluster analysis distinguishing four segments. The most important results are as follows:

- It is unanimous to prove that there is a strong connection between the wine consumption and the higher education and salary.
- The information connected to wine is mostly collected from friends and people they know by the hypermarket consumer.
- They consume wine mostly in circle of friends or when somebody is around for meals.
- The buying in the hypermarket is an socialising and entertainment at the same time.
- The most important influencing factors in buying a bottle of wine are the taste, the quality and the origin.

- The four wine buyer segments are the following:

    - Company maniacs
    - Trendy guests
    - Connoisseur
    - Average friends of wine

The **second primary research** introduced the research results coming from the strategic groups examination.

Important results:

- The strategic groups (not all of them) could have been observed also in Hungary, that were mentioned in several expert publishes. Three of them are quite strongly proved (There are no cost leaders.):
    - Differentiating strategy
    - Focusing strategy
    - Middle-of-the-road strategy

My third primary research was focusing on the information base and the decision making system of wine producing companies and on their opinion about the importance of the distribution channels.

The most important statements:

- The sources of information and their role in the company is strongly connected to the scale.
- The wine producers expect the growth of the hypermarkets and the gastronomy in the short-term.
- According to the added services and the gross retail price the wine producers find the gastronomy and the wine specialty shops outstandingly important.

Based on the personal interviews I created the system of choosing the distribution channel from the point of view of the producers.

The three influencing pillars of the system are as follows:

- Production side
- Consumer side

Distribution side

Summing up my results it can be concluded that the distribution has an increasing role in the marketing-mix, especially in the short-run it will be more and more appreciated, just like the strategic groups.

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